

SUBSTANCE ABUSE SERVICES CENTER
FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
AND
INDEPENDENT AUDITORS' REPORTS

SUBSTANCE ABUSE SERVICES CENTER
JUNE 30, 2009 AND 2008

Table of Contents

	<u>Page</u>
Board of Directors	3
Independent Auditors' Report	4 - 5
Financial Statements:	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	8 - 9
Statements of Cash Flows	10
Notes to Financial Statements	11 - 16
Supplementary Information:	
Schedule I - Schedule of Expenditures of Federal Awards	17
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	18 - 19

SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Avenarius	President	June 2010
Clifford Bunting	Vice-President	June 2010
Jack Young	Secretary	June 2010
Leo Hickie III	Treasurer	June 2010
Steve Eastvedt	Member	June 2012
Gregory Egan	Member	June 2012
Sheila Freiburger	Member	June 2010
Lou Fuller	Member	June 2012
Peggy Petlon	Member	June 2010
Dorothy Schlueter	Member	June 2010
Traci Suarez	Member	June 2011
Jerome Thomas	Member	June 2010
Diane Thomas	Executive Director	Indefinite

Independent Auditors' Report

To the Board of Directors
Substance Abuse Services Center

We have audited the accompanying statements of financial position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Substance Abuse Services Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2009, on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenditures of Federal Awards on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
October 2, 2009

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets:		
Cash	\$ 485,542	\$ 376,629
Certificates of Deposit	155,132	203,089
Accounts receivable, less allowance for doubtful accounts - 2009 \$6,362 and 2008 \$12,048	22,253	26,755
Prepaid expenses	34,498	12,237
Grants receivable	105,528	60,920
Total Current Assets	<u>\$ 802,953</u>	<u>\$ 679,630</u>
Property and Equipment:		
Leasehold improvements	\$ 53,336	\$ 53,336
Office furniture and equipment	170,313	170,313
Accumulated depreciation and amortization	(202,416)	(188,567)
Net Property and Equipment	<u>\$ 21,233</u>	<u>\$ 35,082</u>
Total Assets	<u><u>\$ 824,186</u></u>	<u><u>\$ 714,712</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 22,256	\$ 15,994
Accrued salaries	6,508	6,017
Compensated absences	25,535	30,294
Accrued expenses	-0-	10,581
Total Current Liabilities	<u>\$ 54,299</u>	<u>\$ 62,886</u>
Net Assets:		
Net Assets - Undesignated	\$ 733,030	\$ 616,383
Net Assets - Board Designated for Suta Claims	36,857	35,443
Total Net Assets	<u>\$ 769,887</u>	<u>\$ 651,826</u>
Total Liabilities and Net Assets	<u><u>\$ 824,186</u></u>	<u><u>\$ 714,712</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<u>PUBLIC SUPPORT AND REVENUE</u>		
Public Support:		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 532,438	\$ 493,039
Managed Care-Federal Funds	207,059	208,297
Access To Recovery	74,597	-0-
United Way	24,998	20,000
Cities	14,455	14,430
Schools	21,084	27,269
Drug court	39,553	-0-
Gambling Grant	368,946	228,200
OWI III Contract	25,717	22,323
Dubuque Racing Association Grant	-0-	12,000
ICADV	-0-	29,690
U.S. Probation Office - Probation Service	19,293	21,609
Federal Bureau of Prisons	34,339	26,577
Other Public Support	5,279	6,138
Total Public Support	<u>\$ 1,367,758</u>	<u>\$ 1,109,572</u>
Revenue:		
Client Fees	\$ 186,626	\$ 215,339
Third Party Pay	174,553	178,013
Interest on Investments	12,355	17,253
Miscellaneous	6,418	19,079
Total Revenue	<u>\$ 379,952</u>	<u>\$ 429,684</u>
Total Public Support and Revenue	<u>\$ 1,747,710</u>	<u>\$ 1,539,256</u>
<u>EXPENSES</u>		
Program Services	\$ 1,374,392	\$ 1,260,055
Support Services	255,257	232,410
Total Expenses	<u>\$ 1,629,649</u>	<u>\$ 1,492,465</u>
Change in Net Assets	\$ 118,061	\$ 46,791
Net Assets Beginning of Year	651,826	605,035
Net Assets End of Year	<u>\$ 769,887</u>	<u>\$ 651,826</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	Program Services			Linn/Clinnton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 612,898	\$ 112,801	\$ 25,922	\$ 52,581	\$ 804,202	\$ 105,182	\$ 909,384
Benefits & taxes	150,190	25,110	5,748	12,872	193,920	18,864	212,784
Total Salaries & Related Expenses	\$ 763,088	\$ 137,911	\$ 31,670	\$ 65,453	\$ 998,122	\$ 124,046	\$ 1,122,168
Rent	66,843	10,995	837	7,960	86,635	5,537	92,172
Supplies & printing	35,121	6,146	398	9,773	51,438	1,260	52,698
Insurance	5,598	945	236	645	7,424	464	7,888
Postage	3,093	575	32	273	3,973	288	4,261
Dues & subscriptions	584	380	2	16	982	6,430	7,412
Business travel	4,178	12,108	2,173	10,542	29,001	7,514	36,515
Conferences & travel	5,286	2,623	1	1,623	9,533	1,989	11,522
Contract services	54,425	13,006	121	9,470	77,022	46,236	123,258
Telephone	11,111	1,839	137	1,509	14,596	6,239	20,835
Advertising	818	1,580	12	1,106	3,516	76	3,592
Small equipment & repair	4,209	2,713	114	1,644	8,680	741	9,421
Bad debts	3,134	-0-	-0-	-0-	3,134	-0-	3,134
Utilities	2,502	432	30	232	3,196	197	3,393
Access to Recovery expenses	48,404	-0-	-0-	-0-	48,404	-0-	48,404
Depreciation	-0-	-0-	-0-	-0-	-0-	13,849	13,849
Miscellaneous	15,219	6,852	183	6,482	28,736	40,391	69,127
Total Expenses	<u>\$ 1,023,613</u>	<u>\$ 198,105</u>	<u>\$ 35,946</u>	<u>\$ 116,728</u>	<u>\$ 1,374,392</u>	<u>\$ 255,257</u>	<u>\$ 1,629,649</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	Program Services			Total Program Services	Total Administrative Services	Total
	Treatment	Gambling	Prevention			
Salaries	\$ 648,632	\$ 113,494	\$ 39,293	\$ 801,419	\$ 115,816	\$ 917,235
Benefits & taxes	178,848	24,723	7,989	211,560	20,909	232,469
Total Salaries & Related Expenses	\$ 827,480	\$ 138,217	\$ 47,282	\$ 1,012,979	\$ 136,725	\$ 1,149,704
Rent	65,383	9,822	1,637	76,842	4,911	81,753
Supplies & printing	42,783	9,346	716	52,845	4,417	57,262
Insurance	6,698	981	174	7,853	468	8,321
Postage	3,485	512	54	4,051	225	4,276
Dues & subscriptions	404	549	-0-	953	304	1,257
Business travel	2,821	11,547	3,772	18,140	6,799	24,939
Conferences & travel	6,989	5,457	57	12,503	1,800	14,303
Contract services	17,048	4,239	-0-	21,287	27,815	49,102
Telephone	10,436	1,466	191	12,093	6,650	18,743
Advertising	1,336	540	14	1,890	77	1,967
Small equipment & repair	5,741	9,793	25	15,559	844	16,403
Bad debts	3,265	-0-	-0-	3,265	-0-	3,265
Utilities	2,382	337	43	2,762	177	2,939
Depreciation	-0-	-0-	-0-	-0-	26,095	26,095
Miscellaneous	13,190	3,629	214	17,033	15,103	32,136
Total Expenses	<u>\$ 1,009,441</u>	<u>\$ 196,435</u>	<u>\$ 54,179</u>	<u>\$ 1,260,055</u>	<u>\$ 232,410</u>	<u>\$ 1,492,465</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 365,681	\$ 395,098
Cash received from grants	1,323,150	1,082,802
Cash received from others	6,418	19,079
Interest received	10,726	14,608
Cash paid to employees and suppliers	<u>(1,646,648)</u>	<u>(1,468,152)</u>
Net Cash Provided By Operating Activities	\$ 59,327	\$ 43,435
Cash Flows From Investing Activities:		
Redemption of Certificates of Deposit	\$ 55,359	\$ -0-
Interest re-invested	(5,773)	(6,868)
Purchases of property and equipment	<u>-0-</u>	<u>(9,038)</u>
Net Cash Used From Investing Activities	\$ 49,586	\$ (15,906)
Net Increase (Decrease) in Cash and Equivalents	\$ 108,913	\$ 27,529
Cash and Equivalents at Beginning of Year	<u>376,629</u>	<u>349,100</u>
Cash and Equivalents at End of Year	<u>\$ 485,542</u>	<u>\$ 376,629</u>

Reconciliation of Changes in Net Assets to Net Cash from Operating Activities

Changes in Net Assets	\$ 118,061	\$ 46,791
Adjustments:		
Depreciation	\$ 13,849	\$ 26,095
Non cash adjustment	(1,629)	(2,645)
Changes in Assets and Liabilities:		
(Increase)Decrease in patient accounts receivable	4,502	1,746
(Increase) decrease in prepaid expenses	(22,261)	1,391
(Increase) Decrease in grants receivable	(44,608)	(26,770)
Increase (Decrease) in accounts payable	6,262	(5,620)
Increase (Decrease) in accrued salaries	491	(120)
Increase (Decrease) in accrued expenses	<u>(15,340)</u>	<u>2,567</u>
	\$ (58,734)	\$ (3,356)
Net cash Provided By Operating Activities	<u>\$ 59,327</u>	<u>\$ 43,435</u>
Non Cash Investing and Financing Activities:		
Interest earned added directly to Certificates of Deposit	<u>\$ 1,629</u>	<u>\$ 2,645</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide comprehensive prevention and treatment services for individuals and families experiencing problems related to alcohol and other drugs, compulsive gambling, and other addictive behaviors, and to provide affordable quality care that prepares individuals to make no risk or low risk choices in their lives.

Basis of Accounting

_____ Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2009 and 2008.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of 3-12 years.

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2009 and 2008 was \$3,592 and \$1,967 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

Subsequent Events

Subsequent events have been evaluated through October 2, 2009, which is the date the financial statements were available to be issued.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008 (CONTINUED)

(2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Leasehold Improvements	\$ 53,336	\$ -0-	\$ -0-	\$ 53,336
Office Equipment	169,873	-0-	-0-	169,873
Education Equipment	440	-0-	-0-	440
Total	<u>\$ 223,649</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 223,649</u>

Depreciation expense for the years ended June 30, 2009 and 2008 was \$13,849 and \$26,095 respectively.

(3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$10,486 and \$10,829 relating to the matching of employee contributions for the years ended June 30, 2009 and 2008 respectively.

(4) Lease Agreements

Substance Abuse Services Center has entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease is for five years commencing on July 1, 2003 and ending on June 30, 2008. The monthly lease payment is \$4,891. There was an addendum to the lease for an additional 1,152 square feet of storage space effective on September 16, 2007. The additional monthly lease payment is \$192 with the lease term ending on June 30, 2008.

Substance Abuse Services Center has agreed to an addendum to the original lease with Banner Investments for the rental of 8,266 square feet. The lease is for five years commencing on July 1, 2009 and ending on June 30, 2014. The monthly lease payment is \$5,510.67. The additional 1,152 sq. feet of storage space was included at \$192 per month. The lease has 3 five year renewal options with rent increases of 5% at each renewal period.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008 (CONTINUED)

(4) Lease Agreements (Continued)

Substance Abuse Services Center exercised an option for additional 1,600 square feet with the requirement to have the build out completed within 90 days. Monthly lease payment is \$1,066.67 commencing August 1, 2009 and ending June 30, 2014. Substance Abuse Services Center amended the lease to include an additional 339 square feet. The monthly lease payment of \$166.68 begins June 30, 2009 and ends June 30, 2014.

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Keokuk, Iowa for the rental of office space in Manchester. The lease was negotiated for five years commencing September 1, 2006 and ending August 31, 2011 with a monthly lease payment of \$1,770. The lease has a five-year renewal option with rent increases based on the consumer price index not to exceed 12%. Substance Abuse Services Center shall also reimburse the lessor for 26.4% of the utilities.

Substance Abuse Services Center entered into a lease agreement with Referral & Services Center for office space in Dewitt, Iowa. The lease term is on a month to month basis at a rate of \$100 per month.

Substance Abuse Services Center entered into a lease agreement with Area Substance Abuse Council for office space in Cedar Rapids, Iowa. The lease term is on a month to month basis at a rate of \$150 per month.

Rental expense for the years ended June 30, 2009 and 2008 was \$92,172 and \$81,753 respectively.

A summary of minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Manchester</u>	<u>Dubuque</u>	<u>Total</u>
2010	\$ 21,240	\$ 81,999	\$103,239
2011	21,240	83,232	104,472
2012	3,540	83,232	86,772
2013	-0-	83,232	83,232
2014	-0-	83,232	83,232
	<u>\$ 46,020</u>	<u>\$414,927</u>	<u>\$460,947</u>

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
(CONTINUED)

(5) Grants Receivable

Grants Receivable at June 30, 2009 and 2008 are composed of the following:

	<u>2009</u>	<u>2008</u>
Federal Bureau of Prisons	\$ -0-	\$ 5,228
Iowa Department of Correctional Services	1,830	1,860
Iowa Department of Correction Services - Drug Court	3,915	-0-
United States Probation Office	4,499	1,078
ICDAV	-0-	2,393
Iowa Department of Public Health - Gambling Treatment	44,693	50,361
Iowa Department of Public Health - Access to Recovery	10,813	-0-
Iowa Department of Public Health - Gambling - Linn Co.	39,528	-0-
Dubuque Community Schools	<u>250</u>	<u>-0-</u>
	<u>\$ 105,528</u>	<u>\$ 60,920</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2009 and 2008 include the following:

SUTA Claims Account	<u>\$ 36,857</u>	<u>\$ 35,443</u>
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7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(8) Economic Dependence

The Center has entered into a contract agreement for managed care services with Magellan Behavioral Health, Inc. Managed care revenue represents 42.3% and 45.6% of total revenue for the years ended June 30, 2009 and 2008 respectively

SUBSTANCE ABUSE SERVICES CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
Administrative Office of the United States Courts:			
Federal Bureau of Prisons	05-4107	----	\$ 34,339
United States Probation Office			
Probation Services Contract	0862-05-33	----	<u>19,293</u>
Total Direct			<u>\$ 53,632</u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc.			
Alcohol and Drug Abuse and			
Mental Health Block Grant -			
Managed Care		93.959	\$ 207,059
United States Department of Education:			
Safe and Drug Free Schools and Communities		84.186	<u>21,084</u>
Total Indirect			<u>\$ 228,143</u>
Total			<u><u>\$ 281,775</u></u>

Independent Auditors' Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors
Substance Abuse Services Center

We have audited the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 2, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Substance Abuse Services Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Substance Abuse Services Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Substance Abuse Services Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of Substance Abuse Services Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Substance Abuse Services Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

JIM KIRCHER & ASSOCIATES, P.C.

Dubuque, Iowa
October 2, 2009